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HOUSE OF REPRESENTATIVES

HOUSE POST AUDIT AND OVERSIGHT BUREAU

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BOSTON, MASSACHUSETTS 02133

November 10, 1992

SPECIAL REPORT ON THE EXECUTIVE OFFICE OF TRANSPORTATION AND CONSTRUCTION CONTRACTS AND MANAGEMENT

The House Post Audit and Oversight Bureau (the "Bureau") conducted a preliminary examination of the spending and budget practices of the Executive Office of Transportation and Construction ("EOTC"). The Bureau's concerns about waste and unnecessary spending within EOTC have been heightened because of the imminent construction of the Central Artery/Third Harbor Tunnel Project ("CA/T") and the ancillary projects related to that construction. The Bureau's initial analysis of some of the expenditures of EOTC and its budget practices have only increased those concerns.

1. Funding Transportation Projects - The Planning Function

Despite the fact that the reconstruction of the Central Artery has been the single most critical item on the EOTC's

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agenda for several years, the EOTC continues to spend taxpayers dollars on questionable studies and proposed legislation while at the same time ignoring the very real transportation needs generated by the CA/T project. Despite the fact that the CA/T project has been on the front burner for the past several years and has received tremendous attention, as late as 1991, EOTC was engaging Deloitte & Touche to study a whole host of activities relating to the project. Some of the activities of the Deloitte & Touche study were:

- o highway funding - capital projects;
- o funding CA/T project;
- o funding strategies for statewide construction agenda while CA/T underway;
- o use of federal funds; and
- o public transportation funding.

At this point in time, the Bureau has to ask the question why is EOTC engaging in this study at this point in the project. Given the fact that the staff of EOTC is charged with the duty of developing those functions well before construction begins, it is difficult to understand why those basic functions are now being studied at all, let alone by private consultants. More problematic is the



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existence of other types of studies and agreements on related matters that appear to be simply a vehicle for diverting increased dollars to EOTC for purposes that were not intended by state or federal statute.

2. Interagency Agreement with MBTA

EOTC and MBTA have executed 19 agreements whereby EOTC agrees to do planning, and analysis on behalf of MBTA. The most recent cost of this renewal of this interagency agreement for fiscal 1993 planning was approximately \$1.1 million dollars.

The Bureau questions the rationale for the continuation of this agreement. There has been little evidence that funds provided by MBTA have been utilized for the transportation purposes dictated by the agreement. Indeed it appears that the agreement in large part simply provides an additional source of funds to EOTC for use as salaries and other expenditures, yet at the same time the T's basic planning function has been ignored. These have been chronicled in recent newspaper articles on the "T" budget.

The work performed or to be performed by the consultants (Deloitte & Touche) appears to be redundant, at

least in respect to the scope of work provided by the interagency agreement with the MBTA. For example, Task 3 of the RFP Public Transportation Financing (p. 12 of RPF) prepared by EOTC, listed the following areas for study;

- o Analyze MBTA financial structure including alternatives for managing capital debt, advantages of giving independent credit, capital budgeting process, MBTA funding on a prospective basis, developing new strategies to increase operating revenue.

In addition, the scope of the interagency agreement (p. 10 Financial Planning) listed the following:

- o Alternative capital planning sources, alternative investment strategies, capital requirements, and examination of fare structure.

These areas result in an overlap which certainly appears unnecessary. Moreover, these additional studies come on top of previous studies just completed.

In light of these facts, the Bureau is particularly troubled by EOTC's refusal to provide a copy of the Deloitte & Touche study. On October 14, 1992, the Bureau asked for all correspondence, memoranda, drafts, reports and/or preliminary reports prepared by Deloitte & Touche in accord with the RFP for Financial Advisory services. EOTC's

response to the request was that it was inappropriate to share these materials before important policy issues are resolved. Despite this claim however, newspapers in both Boston and Worcester have reported on the study in detail despite the agency's claims it cannot provide the Bureau with the information. A second request for this information was sent to EOTC by the Bureau on November 9, 1992.

The Bureau has also determined that the MBTA has in recent years provided a number of employees to EOTC on "loan" and these employees do not appear to be part of any written interagency agreement. It is not clear that these employees work on projects that could be justified in terms of their relationship to the MBTA. One obvious benefit of this unwritten arrangement is to allow EOTC to have individuals work for them at salaries higher than what EOTC could pay if they hired these individuals directly.

Another consulting contract executed with an individual has been alleged to be compensation for that persons failure to be named General Manager of the MBTA. The precise reasons and justification for this study as well as the manner in which the contract was awarded are questionable in the eyes of the Bureau.

Finally, as the Bureau continues its examination of travel practices, the necessity of several trips by EOTC employees is troublesome. The agency has not sufficiently justified the reasons for sending multiple employees to various conferences and in one case, the Bureau has not been able to confirm that the employee even attended the conference despite the fact that the employee traveled to New Mexico at state expense.

The preliminary examination of some of the functions of EOTC in relation to its planning and budgeting raise concerns with the Bureau and necessitate further inquiry. The CA/T project involves millions of dollars of expenditures that are in large part discretionary with EOTC. Given the magnitude of this project, the Bureau recommends public hearings be held so that the Post Audit Bureau and the Committee can be briefed on the following:

1. status of the CA/T funding by project segment;
2. all consultant contracts on transportation funding related to EOTC, CA/T and MBTA;
3. status of interagency agreements;
4. hiring and staffing patterns of EOTC, and CA/T.

The Bureau recommends that these issues be addressed fully and openly so that all of the public policy issues and concerns about waste of public monies can be addressed.

